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MBS Recap: Bonds Spend Most of The Day at March's Best Levels

US bond markets improved in the overnight session as European markets drove yields lower around 3am. US 10yr yields fell below 2.75% as a result, and that level acted as a floor for the rest of the session.

The **first bounce** took the form of a gradual push back in the other direction heading into domestic trading hours. But bonds stayed strong following an 'as-expected' Q4 GDP report (not necessarily because of it--after all, it's extremely stale data at this point). Rates returned to the overnight floor just after the 9:30am NYSE open but were not willing to explore anything lower with stocks making a recovery and with the week's last Treasury auction looming.

The 7yr auction was one of the **worst** of the past 2 years in terms of it's statistics (bid-to-cover, gap between high yield and expected yield, indirect bid %, etc). But there's a major caveat here: bonds rallied nicely yesterday (and this morning) to the lowest yields since early February AND there wasn't much of a push back before today's auction. In other words, traders were tasked with bidding on 7yr notes that looked very expensive compared to recent norms, and they simply bid accordingly.

Caveats aside, yields moved higher in response to the poor auction results. This further solidified the bounce from earlier in the day (just before the noon hour). On a positive note, it didn't take yields up and over the important 2.80% technical level. As such, the door is open for true "confirmation" of a break below 2.80%, but I'll feel better about making that call based on early April trading as opposed to the potential distortions of **Spring Break** trading at **month-end** on a holiday-shortened week.

MBS & Treasury Market Data

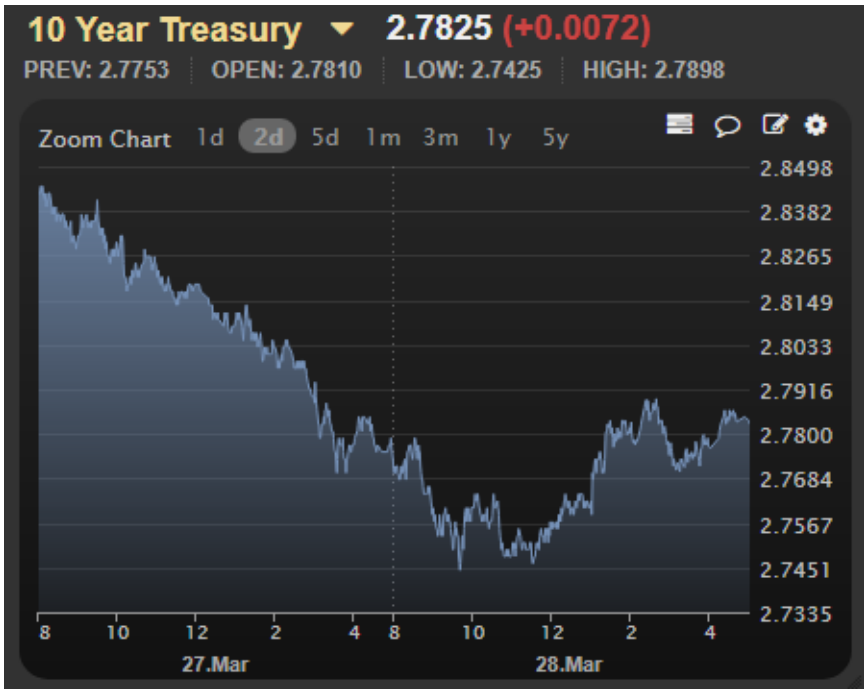
	Price / Yield	Change
MBS UMBS 5.0	99.37	+0.02
MBS GNMA 5.0	99.93	+0.02
10 YR Treasury	3.9068	+0.0029
30 YR Treasury	4.1960	+0.0028

Pricing as of: 9/1 7:34PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.43%	+0.02	0.00
15 Yr. Fixed	5.95%	0.00	0.00
30 Yr. FHA	5.82%	+0.02	0.00
30 Yr. Jumbo	6.62%	0.00	0.00
5/1 ARM	6.28%	-0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.35%	-0.51	0.00
15 Yr. Fixed	5.51%	-0.65	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	6.44%	-0.06	0.54
15 Yr. Fixed	5.88%	-0.16	0.68
30 Yr. FHA	6.36%	-0.06	0.85



	Rate	Change	Points
30 Yr. Jumbo	6.75%	+0.07	0.39
5/1 ARM	5.98%	-0.27	0.65

Rates as of: 8/30

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